

October 2025

	1Q 2025	2Q 2025	3Q 2025	YTD	1-Year
Minot Light Capital Appreciation Fund (Gross)	-11.5%	19.8%	10.1%	16.6%	24.7%
Minot Light Capital Appreciation Fund (Net)	-11.5%	18.1%	7.6%	12.5%	18.3%
iShares Micro-Cap ETF (IWC)	-14.7%	15.4%	17.1%	15.2%	22.2%
Russell 2000	-9.5%	8.5%	12.4%	10.4%	10.7%
S&P 500	-4.3%	10.9%	8.1%	14.8%	17.6%

Dear Partners,

We view performance for the third quarter of 2025 with mixed feelings. On the positive side, Minot Light made good money for limited partners with a net return of 7.6% for the quarter. As our goal since inception has always been to make money on an absolute basis, we are happy with this result. However, on a net basis, that performance did lag our relevant benchmarks, particularly the micro-cap benchmark, which was up 17.1% for the quarter. We attribute this negative relative performance to two primary factors:

1. We suffered three company-specific disappointments that will be highlighted below. Those cost us about 300bps of performance in aggregate during the quarter.
2. Though fully invested, the fund is heavily positioned in out-of-favor stocks and industries, particularly in the healthcare sector. We feel the risk-adjusted outlook for our fund is strong, but current positioning is not ideal for the current high-beta upward trending market. We now find ourselves lagging the small-cap benchmarks on big up days driven by the current leadership, but generally doing better when there is rotation towards industries and factors that are currently out of favor. Though we never like underperforming benchmarks in the near-term, we are generally happy with our performance since inception one year ago.

Though this quarter was not perfect, when put into perspective, the fund has still done quite well since inception. On a gross basis, we have returned 24.7%, which is more than double the Russell 2000 small-cap index, almost 50% better than the S&P 500, and a few hundred basis points better than the micro-cap IWC. When I look at our gross performance since inception, it is in or around the top 5%-10% of small-cap mutual funds, depending on what category (growth, core, or value) you are looking at. We view the gross returns as proof of concept. They indicate to us that the process is sound and our opportunity for alpha generation in small and micro-cap stocks is great, particularly since we believe our process is improving every day. That said, our limited partners do not receive gross returns. After our carry, the net return profile to limited partners is more modest. Eddie and I are well aware of this dichotomy and are focused on ways we may be able to gradually close the gap between gross and net returns for our limited partners as our assets scale in the future.

The performance dynamic we experienced this quarter is not new to me. One of the primary reasons I retired from MFS after managing their small-cap growth fund for a decade was the frustration I experienced during days and quarters like this. I vividly remember walking home from work some evenings after making more than 200bps for our shareholders that day but feeling awful because the Russell 2000 growth index went up 275bps, with much of the benchmark's performance driven by



names I did not own and had little interest in buying at current levels. I remember thinking that it makes no sense for me to be kicking myself when we just made a great deal of money. However, that is the nature of the job when you are highly focused on relative performance.

When we started this partnership, our goal was to generate positive absolute returns and make money in public equities with a process that has proven itself over time in what we deem to be a highly inefficient area of the small/micro-cap market. If the indices go up more around us during times like this, so be it. I will happily accept any beta that helps our shareholders make money, even if it leads periods of benchmark underperformance. In this partnership, we are not going to change our process to chase stocks, sectors, or factors that do not fit our investment criteria in an attempt to keep up with near-term market trends. We will remain true to our bottoms-up process and construct a portfolio of individual stocks that we believe have substantial upside on an absolute basis, as well as what deem to be manageable downside exposure on a name by name basis.

Another concept I learned early in my career that resonates in the current environment came from my first employer, Manning & Napier. Their process embedded a concept called “beta-riding” and “beta-sliding”. What this means is oftentimes when the market was moving up in a meaningful fashion and higher-beta momentum stocks were leading the charge, while lower-beta laggards were falling behind, the firm’s process would naturally lead them to sell higher-beta holdings that had done well and were approaching fair value. In other words, slide out of beta. Those proceeds would then be deployed into the laggards of the market that seemed to be getting cheaper and cheaper by the day. During bear-markets, the opposite would take place, as the firm would generally be selling their lower-beta and more defensive holdings that held up very well and were approaching fair value, while redeploying those proceeds into more volatile and typically growthier stocks that were rapidly declining in a bear market. In other words, riding into beta. I don’t ever remember any top-down mandate that said let’s beta-ride or beta-slide, but rather this was a natural evolutionary process that took place as the market cycled and provided different opportunity sets over time.

I do want to be very clear that we are not calling for a market correction or clamoring about any bubbles. At Minot Light, we are naturally optimistic, we like to get aggressive on early-stage growth stocks and we are certainly not crusty perma-bears. We also do not hold anything against the companies or investors that are currently thriving in the current market environment. We wish them well and applaud their success. However, without explicitly trying beta-slide, this process has been organically taking place in our current portfolio relative to the benchmarks over the past quarter and accelerating in the past month, as we are finding what we perceive to be great opportunities in many out-of-favor stocks that have very interesting long-term growth profiles, while also seeming to provide strong downside protection. We will highlight a few of those below. It just so happens that many of these stocks are currently relative laggards in the market and are unfortunately not catching much of a bid now - or worse yet, if they disappointed recently, they just continue to fade down even as the broader market rallies. Simultaneously, we have been selling or trimming some of our very best performers that are much closer to fair value, despite their continued relative strength versus the market. In other words, the portfolio is taking on an increasingly strong anti-momentum bias in a heavily momentum-driven market.

The danger when you are “beta-sliding” or “beta-riding” is that you are too early and/or too aggressive in either direction. In our case, we made less money than the market over the past quarter. Generally,



our hope and expectation is that stock picking will be strong enough to offset much of a relative performance lag that can take place when we are out of sync with the market. Unfortunately, we took a few big hits this quarter that made this more difficult.

Turning to individual names that drove performance this quarter, the table below highlights the top 10 contributors and detractors to our fund in 3Q25. We will make brief comments on the top 3 of each category:

Portfolio Movers	
Contributors	Detractors
The RealReal (REAL)	Torrid Holdings (CURV)
ClearPoint Neuro (CLPT)	Lucid Diagnostics (LUCD)
Arq (ARQ)	Legacy Education (LGCY)
Idaho Strategic Resources (IDR)	Ceribell (CBLL)
Mama's Creations (MAMA)	Kornit Digital (KRNT)
Cryoport (CYRX)	Sweetgreen (SG)
RxSight (RXST)	OrthoPediatrics (KIDS)
NPK International (NPKI)	Alpha Cognition (ACOG)
Vimeo (VMEO)	BrightView Holdings (BV)
Zumiez (ZUMZ)	Farmer Brothers (FARM)

Top Contributors

The RealReal (REAL): The RealReal was our largest contributor to performance in the quarter. The company is the leader in online consignment of second-hand luxury goods and is well positioned to capitalize on secular growth trends within the expanding resale and circular economy. We also believe that RealReal has several strong competitive advantages, such as its 1M+ active buyer base (network effects) and an inbound processing/authentication infrastructure that would be very costly to replicate. RealReal's second quarter results marked a transformational quarter for the company, with GMV and revenue rising by 14%. Importantly, the number of consignors on the platform in the quarter grew double digits to an all-time high. Supply unlock is crucial for what we believe to be a sustainable double-digit top-line growth rate going forward, as the company's historical sell-through rate has been 90%. The company is also a true beneficiary of improvements in AI. Some examples include:

- Athena, the company's proprietary AI Machine vision learning tool, enables more efficient authentication and assists with item descriptions when an item is listed on the website. Not only does this reduce the cost per item listed, but it also reduces the number of days for an inbound item to be processed, which could increase the velocity of items sold, leading to higher revenue and better leverage on fixed costs. Athena currently only touches 20% of total units as of 2Q25, and the company believes it will touch 30-40% of units by the end of the year.
- Elevating the shopping experience in search through increased personalization. We believe that conversion will likely increase as more relevant items and recommendations are displayed to



RealReal's buyer base, helping them cut through the noise of the nearly 2.4M items listed on the website.

The RealReal also demonstrated substantial operating leverage this past quarter. The company reported a 4.1% EBITDA margin in the quarter on 14% Y/Y revenue growth with roughly comparable gross margins v. last year, implying a 42.5% incremental EBITDA margin. Through further double-digit top line growth and improved operational efficiencies, we see the gap between the company's high gross margins (74%) and EBITDA margins shrinking over time. We started to buy shares aggressively in RealReal after its 1Q25 earnings call, when the stock fell nearly 30% for what we thought was a relatively benign quarter. The RealReal exemplifies most of the characteristics we look for in a core growth stock, namely one that is out of favor, has real competitive advantages, and maintains a strong and sustainable long-term growth profile. We also believe RealReal is underappreciated by the Street due to its non-linear earnings growth potential driven by improving fixed-cost leverage.

ClearPoint Neuro (CLPT): ClearPoint is a company that provides both hardware and consumables to allow for the precise delivery of drugs to the brain and spine, with a particular focus on cell and gene therapies. The company offers both navigation systems (hardware) and a variety of accessories (consumables). Because its technologies are critical to various cell and gene therapies, they are initially used in clinical trials and eventually become an integral component to the delivery of these drugs when and if they are approved by FDA. This creates a long-term growth opportunity, characterized by high switching costs on a variety of recurring revenue streams. In many ways, ClearPoint is emblematic of many of our current holdings in the healthcare space, which are characterized by strong business models, high growth potential, and substantial embedded optionality, but have fallen very much out of favor relative to high-growth stocks in other sectors during the current healthcare sector downturn.

In the case of ClearPoint, some of that optionality began to pay off this quarter because uniQure (QURE), one of ClearPoint's partners, reported excellent clinical data for its Huntington's Disease drug, which dramatically increased the odds of its eventual approval and reimbursement. If approved, this drug will have a profound impact on patients and provide a meaningful revenue stream to ClearPoint. It also serves as a proof point and source of optimism for other neurological cell and gene therapies that have integrated ClearPoint protocols into their therapies. We owned ClearPoint going into the uniQure news and continue to hold a position, as it remains a strong platform going forward with large growth prospects. Though no longer optically cheap, the valuation is reasonable if the company's pipeline continues to come to fruition and its installed base of hardware continues to expand. In addition, the market cap has now moved from well below \$500M to over \$800M, which brings shares of ClearPoint onto the radar of larger institutional small-cap funds, of which few seemed to own any stock prior to this recent move. This fits the paradigm of our core holdings that are ejecting out of micro-cap into what we would call the small-cap sweet spot.

Arq, Inc (ARQ): Arq is one of the largest producers of activated carbons in the United States. Activated carbons are used by a wide variety of industries with the end goal of purifying and removing contaminants in water, air, and soil. Arq owns the Five Forks Mine in Saline, LA, which primarily produces lignite coal, the principal input into the company's powdered activated carbon (PAC) products. In 2023, the company purchased feedstock in Corbin, KY giving it access to high quality recovered bituminous coal reserves, the principal input into the company's granulated activated carbon



(GAC) products. We find that Arq is extremely well positioned in the current environment given that it is the only domestic activated carbon producer with a fully vertically integrated supply chain.

Historically, the company's primary revenue source has been the slow-growing PAC business. We have been impressed with CEO Robert Rasmus's management of the more mature PAC business since his arrival in July 2023. Rasmus's focus has been on eliminating negative margin PAC contracts and cutting operating expenses, which has resulted in gross margins expanding from 28% to over 39% in the last twelve months, leading the company to generate positive operating cash flow in FY24.

However, our bull-case is centered around growth prospects for the emerging GAC segment. Arq has spent over \$80M on the construction of a granulated activated carbon (GAC) plant at its Red River Facility in Louisiana. The company recently announced that it has commissioned its first GAC line at the facility and expects to ramp up production to its nameplate capacity of 25M lbs (all incremental) in 6 months. Importantly, GAC is higher quality than PAC due to its longer contact time, mechanical strength, and more uniform absorption control – as such, it demands a higher price in the market and exposes the company to large new market opportunities. Arq has also fully permitted a second line that will produce an additional 25M lbs of GAC that has yet to break ground. The industry outlook for the GAC market is currently shaped by supply shortages with minimal capacity entering the market. However, there is reason to believe demand for GAC could accelerate meaningfully. One of the largest opportunities for GAC is in managing contaminant levels of PFAS in municipal drinking water. The EPA, under the Safe Drinking Water Act, recently proposed maximum contaminant levels for PFAS within municipal drinking water, and while the compliance deadline is likely to be extended from 2029 to 2031, we foresee increased GAC demand from institutions looking to get ahead of this regulatory change. Arq anticipates the demand for GAC could increase 3-5x for the water market as a result of this regulation. With strong demand for GAC expected going forward and minimal capacity (which would require a long lead time) being brought online, we anticipate revenue growth acceleration and non-linear profitability growth for Arq in the coming years.

We initiated a small position in ARQ in March but started aggressively accumulating shares in May after the company reported its 1Q25 earnings, where gross margins came in lower than consensus as a result of start-up costs associated with its new GAC line. We viewed the margin miss as temporary, as the company had been incurring overhead costs related to the GAC line while producing little to no GAC revenue. At \$3.66 per share, we found that there to be very little downside, based solely on the company's legacy PAC operations with no value being placed on the company's future earnings from the significant GAC growth opportunity. Arq remains a top 5 position for the fund today.

Top Detractors

Torrid Holdings (CURV): Our biggest negative contributor this quarter was Torrid Holdings. We reviewed our thesis on Torrid in our last quarterly letter and that has not changed, so we will not rehash that here. In the interval between that letter and this update, the company did report earnings. Though we did not view the results as a disaster, numbers did come down due to tariff impacts and a weaker consumer. That said, the key levers to our differing perspective, which center around projected margin expansion from eliminating the weaker portion of their store base, revenue retention from closed stores going to adjacent stores or online, and additional margin expansion from growing sub-brand sales would appear to be generally intact. The company continues to project meaningful EBITDA margin



and free cash flow expansion into 2026 and beyond due to these factors. However, we will now see that expansion off of a lower base.

Though our thesis does not seem to be broken, shares of Torrid have not stopped falling since Sycamore's secondary, which we thought would only lead to a temporary decline. Stock price action like this is certainly very concerning to us. Though we have a hard time believing the fundamentals of the business are deteriorating as fast as the stock price is indicating, we do have to concede when leverage is involved on micro-cap retailers, things can deteriorate quickly in a worst-case scenario. At current prices of around \$1.50, if the company comes anywhere near its EBITDA and free cash flow goals over the next several years, the upside to this stock could be enormous. In that scenario, it could either buy back its entire company or pay back all of its debt in less than four years. It could also do some combination of both. That said, we are closely monitoring progress and managing our risk exposure on this position. Embarking on a major business model transition during a very difficult macro period with debt on the balance sheet is not easy and the risks are high.

Regardless of how Torrid turns out for us, so far it has been a brutal reminder of how companies with meaningful debt can become problematic for our portfolio very quickly, as leverage magnifies the speed of a potential decline and makes it very difficult to draw a line in the sand from a downside protection standpoint. This is why we only own a few companies in the portfolio with financial leverage. From a process (versus outcome) perspective, when we assess what has gone wrong so far in Torrid, we would have made this investment again based on our initial thesis. However, we should have made the initial position smaller to account for the magnifying risk of financial leverage during this transition period.

Lucid Diagnostics (LUCD): The second biggest detractor in our portfolio this quarter was Lucid Diagnostics. Lucid currently markets an FDA-approved DNA test for the early detection of esophageal precancer and cancer, known as EsoGuard. We believe EsoGuard has a legitimate multi-billion dollar plus market opportunity due to its unique capabilities, outstanding clinical data and attractiveness as a minimally invasive test for nonendoscopic precancer testing. The patient need for this test is large, the company's clinical data is strong, and it has a unique position in the marketplace. The only thing holding back accelerating adoption has been a lack of reimbursement.

Though we have been aware of Lucid and EsoGuard's potential for some time, we wanted further validation on the part of clinicians before taking on the risk of owning this stock in front of an upcoming rather binary Medicare approval decision. Fortunately, we were able to listen to a publicly held conference call with a Medicare Contractor Advisory Committee that took place in early September. It included an extensive discussion by several independent experts and physicians that have expertise in esophageal cancer and have analyzed EsoGuard's clinical data. The universal sentiment from this independent panel was very positive towards the test and its ability to save lives. We walked away from that call convinced that the product had strong clinical utility and had a good probability of receiving Medicare reimbursement in the next few quarters, which would then hopefully pave the way for broader commercial reimbursement and meaningful revenues for Lucid.

Aside from some uncertainty around the clinical utility of EsoGuard prior to the CAC meeting of medical experts, the other reason we did not own the stock before this clinical validation was concern about the company doing multiple dilutive stock offerings in recent months, as well as the unusual



corporate structure of the company and its relationship with “sister company” PavMed (PAVM). Despite these ongoing concerns, we chose to buy the stock following the CAC call, as we think EsoGuard could be worth well over \$1B and the company’s fully-diluted market cap was under \$250M. Even if some value leaks to PavMed and assuming we were diluted again to ensure ample liquidity for the company, there is substantial potential upside in the stock and we believe the potential value of this product is truly underappreciated by the market. The reason shares of Lucid are one of our main detractors this past quarter is that days after this very positive call, the company did yet another stock offering at a meaningful discount to market, though the stock has subsequently recovered some of those losses this quarter.

As we have said before, in the world of micro-cap, it is not unusual to encounter difficult decisions around companies that have been diluters and where there are concerns around corporate governance. In general, we try to avoid these situations. However, in this case, we were willing to compromise, as there is potentially huge value in EsoGuard and this has been independently verified by a large sample of independent experts. Furthermore, most serial diluters with sub-optimal corporate structures have no real product, they are simply stock promoters. In this highly unusual case, we do believe there is real value in Lucid Diagnostics, even with some future leakage. Furthermore, though we find the relationship with PavMed unusual, to their credit, the company has been very open and transparent with all disclosures around that relationship and its implications for the common stock shareholders of both companies. The realization of value from this investment will hopefully come if/when Lucid receives Medicare reimbursement for EsoGuard. Much like Torrid, when reviewing this loss from a process not outcome perspective, we would have made this investment again, but the position size should have been smaller to account for the risk of future dilution on such positive news, as well as the binary risk around Medicare reimbursement.

Legacy Education (LGCY): We highlighted Legacy in our 2Q25 letter as one of our largest contributors to performance for the quarter, and in 3Q25 it was one of our largest detractors. Despite growing revenue nearly 41% (total and organic enrollment increased 42% and 21%, respectively) and beating consensus top line and EBITDA estimates, Legacy’s stock is down over 20% since reporting earnings in September. The company missed on EPS estimates due to a true-up adjustment to the company’s tax provision, leading to a higher than expected effective tax rate in the quarter, and also increased its accounts receivable bad debt allowance by \$700K as a result of some softness in graduate student collections. The large charge taken in the quarter was seemingly the result of LGCY’s internal policy of reviewing and analyzing student collections annually, which management now expects to do on a quarterly cadence. We suspect the company’s recent investments in enhancing its student information system will allow it to take a more predictive approach, rather than being reactionary, towards analyzing student collection data. We appreciate management’s candor on this issue and believe that it is not uncommon for small-cap companies to upgrade their systems and internal policies after going public. While this was disappointing, we do not think it materially impacts our long-term investment thesis. Without rehashing the bull-case from our 2Q25 letter, we see Legacy as a clear beneficiary of the skilled healthcare worker supply/demand imbalance and believe it presents a very compelling risk/reward at current prices. Legacy’s valuation is quite attractive on an absolute basis and continues to trade at a material discount to publicly traded peers despite demonstrating faster organic growth rates. LGCY remains our largest position in the fund today.



As in each quarterly letter, we will highlight a current holding to illustrate our investment process. This quarter, we feature **Stran & Company (SWAG)** - a \$33M market cap promotional products company based in Quincy, MA that we have closely followed since its 2021 IPO. Because the company is headquartered in our backyard, we have been able to meet with management a number of times and attended the company's most recent open house, where we were able to speak with many of Stran's customers. With no sell-side coverage and daily volume of ~\$160K, Stran exemplifies the type of overlooked small-cap opportunity we seek out.

Stran designs and sources custom branded merchandise, which is an effective and low-cost marketing channel for its clients. We were initially drawn to the company's overcapitalized balance sheet, increasingly strong position in the highly fragmented promotional products industry, and emerging scale advantages as Stran's revenues have grown from \$30M in FY19 to over \$100M today. For example, many companies in the promotional products industry use wholesalers to purchase promotional products - with growing scale and purchasing power, Stran now has direct relationships with manufacturing facilities in the U.S. and overseas, allowing it to be more competitive on pricing to win new customers. We anticipate this scale dynamic to improve as the company grows, providing further opportunities for organic revenue expansion. The company is also pursuing an acquisition strategy to expand into new industry verticals, thereby growing its customer base and increasing cross-sell opportunities. In our view, Stran's expanding scale and customer base are strengthening its competitive advantage. This scale-begets-scale dynamic is one that we always look for in any micro-cap stock, particularly one that is profitable.

Our path to investing in SWAG was a long one. Stran experienced a series of issues in 2024, including the possibility of a delisting due to delinquent SEC filings that resulted from a change in auditor to ensure accurate accounting. In January 2025, SWAG filed its amended FY23 10-K, which included restated financials for FY22 and FY23, where we found the restated figures to have immaterial changes. At this point, we felt that the risk of delisting was diminished and entered into a small position, accumulating more shares as the company continued to file its delinquent reports with the SEC. The company reported its 1Q25 results in May, where it reported total revenue and organic revenue growth of 52.4% and 11.2%, respectively. The company was also EBITDA positive in the quarter after adding the ~\$800K in legal and accounting costs it incurred during the quarter due to the accounting restatement process. While the share price was up after this, we felt the market's reaction was muted and made it into a core position, as the company was trading near its net current asset value (current assets less total liabilities) of \$1.15 per share and had an EV of less than \$12M, providing us with extraordinary downside protection. Stran reported its 2Q25 results after the close on August 12, where it reported total and organic revenue growth of 95.2% and 30.4%, respectively, while producing positive GAAP net income and FCF. Again, we felt the market's reaction to this report was subdued which allowed us to accumulate a significant amount of shares in the post-market, pre-market, and during normal trading hours, making it an outsized position in the fund.

Stran was most recently ranked #12 on PPAI's top 100 distributors list, which highlights its growing industry prominence. We believe Stran has the potential to deliver high single-digit organic revenue growth while driving operating leverage through disciplined expense management. We believe the company could generate nearly \$0.40 in free cash flow per share in FY29, implying an EV/FCF multiple of 3x at current net cash levels. A 15x multiple on FCF in 2029 would imply a target price of



\$6.00 per share. With the stock around \$1.72 today and around \$1.12 in net current assets per share, we believe Stran presents a fairly asymmetric risk/reward profile.

The Stran investment journey reinforces what we have said previously about our process. The vast majority of our time is not spent on buying and selling stocks - it is spent hunting for new ideas, monitoring existing holdings, and tracking developments for companies that we would like to own at some point, which either need to get cheaper or to de-risk. Stran fits the last category, as we spent several years developing a relationship with the company and its management team. We were very impressed they were able to stay focused and execute through a period of tremendous internal turmoil during the restatement. That gave us the conviction to move fast when positive developments occurred and the story started to “de-risk”. Given the small size of our fund, we were able to quickly build a real position in Stran with minimal impact to trading costs. As a reminder, we intend to keep the fund small by capping subscriptions at \$150M in order to sustainably capitalize on exactly this type of micro-cap opportunity.

In summary, we believe Minot Light is well positioned to provide our limited partners with strong long-term returns due to our well-proven process and liquidity advantages in the highly inefficient small/micro-cap market segment. There will be ups and downs on a quarter-to-quarter basis, but we will remain true to our process and continue to work hard at providing our investors with a satisfying financial outcome. Thank you to our partners for their ongoing support and please reach out to us with any questions.

Sincerely,

Tom Wetherald and Eddie Reilly



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